

# ORIGINAL



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## Tonto Village Water Company

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Mesa, AZ 85214

RECEIVED

Emergency:

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May 2, 2008

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
Utilities Division  
1200 West Washington Street  
Phoenix, AZ 85007

Attention: Docket Control  
Charles Myhlhousen, Analyst  
Del Smith, Engineering Manager  
Dorothy Hains, Staff Engineering  
Robin Mitchell, Staff Attorney  
Brian Bozzo, Compliance and Enforcement  
Carmel Hood, Compliance and Enforcement

Arizona Corporation Commission

DOCKETED

MAY -6 2008

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Re: Docket No. W-01580A-04-0672  
Tonto Village Water Co., Inc.

Ladies and Gentlemen:

By letter dated April 27, 2008, the Tonto Village Domestic Water Improvement District has filed certain letters and documents with the Commission which contain numerous inaccuracies and which fail to include certain information which would bear directly on any decision by the Commission. This letter and enclosures were received this date by the Company.

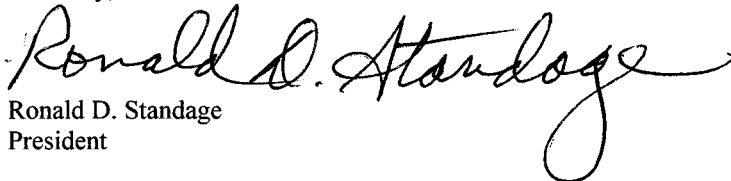
On Monday, April 28, 2008, the Company received a letter from Mr. Harry Jones, District Manager, which letter was dated April 18, 2008 and mailed certified mail Friday, April 25, 2008. This letter was the first written communication whatsoever that the Company had received from the District. Mr. Jones' letter demanded that the Company comply with certain deadlines beginning three days from the date the letter was received. The Company promptly responded in writing to Mr. Jones' letter with corrected and additional information relevant to the actions of the District and certain Directors and employees and/or their relatives. Attached hereto is a copy of the May 1, 2008 letter to Mr. Jones from the Company.

With reference to the Company's request to revoke or suspend the new water source, that request was made (over four months ago), at the time of filing the current rate application, in order to, among other reasons, allow the District, should it purchase the Company's assets, to make its decisions concerning what type of facilities it wanted for its customers. However, within three (3) business days of filing the pending rate application (W-01580A-07-0707), complaints were filed indicating that the Company should move forward with the new water source. The Company currently is approved for WIFA funds and an application for approval to incur this debt is pending under W-01580A-08-0209. Inasmuch as the financing application is moving forward together with the current rate application, the Company's heretofore filed request to revoke or suspend the new water source is moot.

The Company informed Mr. Jones in its May 1, 2008 letter that it would be consulting with its attorney and has done so. Additional communications from the attorney will be forthcoming.

If you need any additional information, kindly let me know.

Sincerely,

  
Ronald D. Standage  
President

Copy of the foregoing mailed  
This 5<sup>th</sup> day of May, 2008:

Christopher Kempley  
Chief Counsel Legal Division  
Utilities Division  
1200 W Washington St.  
Phoenix, AZ 85007

Ernest J. Johnson  
Director, Utilities Division  
1200 W Washington St.  
Phoenix, AZ 85007

Harry D. Jones  
District Manager  
(w/o attachment)  
Tonto Village Domestic  
Water Improvement District  
HC-7, Box 363  
Payson, AZ 85541

Each TVDWID Director  
(w/o attachment)

**Tonto Village Water Company**  
**P.O. Box 9116**  
**Mesa, AZ 85214**

**Emergency: (928) 978-4318**  
**Email: tvwc@tvwc.biz**  
**Website: www.tvwc.biz**

May 1, 2008

Harry D. Jones  
District Manager  
Tonto Village Domestic Water Improvement District  
HC-7, Box 180  
Payson, AZ 85541

Re: ACC Docket No. W-01580A-07-0707  
Tonto Village Water Co., Inc.

Dear Mr. Jones:

On April 28<sup>th</sup> I received your letter dated April 18<sup>th</sup> and mailed April 25<sup>th</sup>. This letter is the first written communication, other than complaints filed with the Corporation Commission, that I have received from the District.

In late January, 2007, I indicated to several residents of Tonto Village that I was interested in selling the water company assets and that I would first offer them to the District if they wanted to pursue with the population of a Board. The decision of whether to proceed with the District organization was left entirely within the discretion of the residents with no direction by me. In November 2007, elections were held to select the Board. Not knowing the status of the District, Rebecca Standage called Linda Stailey in mid-December, 2007, to inquire and was informed that the Directors had not been sworn in at that time. On December 27, 2007, the Company filed its required rate application which is now pending.

In mid-January, 2008, Gary Martin telephoned me, wanting to meet and find out how much I wanted for the company. At that time I had received nothing in writing from the Board, and to this date have received nothing in writing, indicating that Mr. Martin was authorized or was to be the contact person from the Board in this matter. Reasonable business practice would suggest that one representing a governmental entity have written credentials setting forth his authority and assignment. I have been communicating informally with Mr. Martin because he informally contacted me. Additionally, on all letters, except the last one, I have copied the District to keep it informed of our intentions. I have yet to receive any definitive communication from the Board, written or otherwise, that Mr. Martin has the authority or responsibility to represent the Board in these matters. I have been responding in writing as, given the complaints that have been filed, I do not want to be misunderstood. The actions of the Board concerning this purchase have been somewhat casual and unprofessional. Unfortunately, the relationship may become adversarial as the complaints filed have contained numerous misrepresentations, conflicting demands, and on their face appear as a concerted effort to confiscate the company assets by the District. Prior to your letter, no person other than Mr. Martin,

including yourself, has contacted me, in writing or otherwise to express the interest of the District in purchasing the water company assets. To the contrary, we have only received complaints and demands through the Commission.

The Standages, at their expense, formed the District. At that time there were factions within the Village some of which openly expressed animosity. Just before the approval of the District formation, one of the initial Directors became ineligible for appointment. The Board of Supervisors appointed Steven Kamp in that person's stead. Rebecca was in agreement with the substitution as the Kamp family and associates owned a number of lots in the Village and she felt it fair and desirable for them to be represented on the Board. After the Board of Supervisors appointed Mr. Kamp, Rebecca personally went to each of the other initial Directors to see if they would have any problems working with Mr. Kamp. Only one of the initial Directors, Charles Stailey, indicated in the presence of Rebecca and Jerry Bauler, at an agreed meeting at Mr. Bauler's residence, that he could not and would not work with Mr. Kamp. So, rather than turn the operations of the water distribution for the Village over to a divided and confrontational Board, Rebecca choose not to pursue the option of selling to the District at that time.

You assert that there was an "11 year wait" and that now I am "not willing to even discuss a sale transaction." This is patently untrue. Each letter to Mr. Martin has continued to publicly express our willingness to first offer the Company assets to the District at the appropriate time and negotiate the sale professionally and in good faith.

Almost fifteen months have passed since I first contacted the residents concerning a possible sale and, as stated above, your letter is the first written communication (other than complaints) received. We refrained from responding to another interested buyer in order to give the District time to complete its legal formation. It should be pointed out, that in the past eleven years there has been nothing said or done to discourage the residents, on their own volition, from proceeding with populating the Board and then contacting the owners of the Company relative to the purchase of the company assets, if they felt the purchase and control of the water company to be in their best interests. The logical conclusion is that the residents of the Village felt they had sufficient water at an extremely low price and were satisfied with the service received. We have been prepared to sell for over eleven years, but the residents have not been ready or motivated to purchase until now.

At this time the owners are understandably reluctant to enter into negotiations with individuals or representatives of individuals/entities who have publicly made derogatory and untrue statements, demanded punitive actions from governmental agencies, and are now attempting to coerce the Company into rigid and unrealistic deadlines for negotiations. To be frank, I am not surprised, but am disappointed, at the actions of the Board and some of the customers. We never even had a chance to enter into fair and open negotiations as immediately upon the filing of the Commission-required rate application (three business days), complaints were filed. Complaints have been filed by, among others, two Directors, the wife and mother-in-law of the Chairman, and the wives of two Directors. Is that the type of business environment or individuals with which one would reasonably be expected to conduct serious negotiations? Currently, the owners rightfully are suspicious and distrustful of the motives and agenda of the District and its representatives. Hopefully, this will soon subside and, as stated numerous times before, we will first offer the water company assets to the District and will negotiate fairly and professionally at the appropriate time.

The docketing of your April 18, 2008, letter with the Corporation Commission, which letter contains numerous inaccuracies and innuendos, can be only be construed as an attempt by the District to intimidate the Company into agreeing to your accelerated time table and to improperly influence the Commission in these matters. Although our preference would be that this response not be filed in the same manner, since you have chosen to put these matters in a public forum, fairness dictates that this response be likewise filed and disseminated.

The Company has the right and obligation to pursue its rate and financing applications in compliance with the Commission's order. Pending the Commission's decisions, the Company will continue to provide safe, reliable water to the residents of the Village, meeting its ADEQ and Commission requirements. The residents should be encouraged to know that the Company has been approved for financing through WIFA and is proceeding with approval from the Commission to access these funds and install an improved well (which the complainants and intervenors are demanding).

Again, we had hoped that we could have sooner fairly and amicably negotiated the sale of the assets to the District and have not abandoned this effort. However, given the current tenor of the communications, including complaints and representations in your letter, we have made arrangements to meet with our attorney.

Sincerely,

/s/ Ronald D. Standage

Ronald D. Standage  
President

xc: Arizona Corporation Commission Docket Control  
Each TVDWID Board member